

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

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TO SECSTATE WASHDC 5541

INFO USDOC WASHDC

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UNCLAS TEHRAN 1409

EO 11652: NA

TAGS: PINT, ETRD

SUB: UK FIRM AND GOI OFFICIALS IMPLICATED IN SUGAR SCANDAL

RESGRC TEHRAN 1343 (NOTAL)

1. ACCORDING LOCAL PRESS FEBRUARY 10, IMPERIAL INSPECTORATES'S INVESTIGATION OF 1975 SUGAR PURCHASES BY GOI FROM UK TRADING COMPANY TATE AND LYLE HAS RESULTED IN (A) DISCLOSURE THAT GOI LOST \$45 MILLION BY PAYING HIGHER THAN PREVAILING MARKET PRICES,

(B) DISMISSAL ON FEBRUARY 9 OF HOSSEIN ALIZADEH, UNDER-SECRETARY OF COMMERCE AND DIRECTOR OF CEREALS, SUGAR AND TEA ORGANIZATION, AND ALI SEIRAFI, UNDERSECRETARY OF COMMERCE AND DIRECTOR OF FOREIGN TRANSACTIONS COMPANY, WHO CONTRACTED THE PURCHASE AGREEMENTS, (C) RECOMMENDATION FOR PROSECUTION OF ALIZADEH AND SEIRAFI FOR NEGLIGENCE (ALIZADEH MAY ALSO FACE CHARGES ON MISREPRESENTATION AND FORGERY OF CONTRACT DATES), (D) RECOMMENDATION FOR PROSECUTION OF TWO UK CITIZENS WHO REPRESENTED TATE AND LYLE FOR MISREPRESENTATION AND FORGERY, AND (E) OFFICIAL UNCLASSIFIED

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ACCUSATION OF UK FIRM FOR EXHORBITANT PROFITEERING IN SALES TO

IRAN IN CONTRADICTION TO LONG-TERM AGREEMENT WITH GOI.

2. IN ALIZADEH CASE, PURCHASE 150,000 TONS SUGAR AT PREVAILING RATE \$937/TON WAS ORALLY NEGOTIATED IN EARLY FEBRUARY 1975; TERMS WERE NOT REVISED WHEN CONTRACT WAS EVENTUALLY SIGNED DESPITE FACT THAT WORLD PRICES HAD DROPPED TO \$880/TON, AND DOCUMENTS WERE SUBSEQUENTLY ALTERED TO ELIMINATE DISCREPANCY. IN ADDITION, ALIZADEH IS CHARGED WITH DISREGARDING BID LODAR THAN TATE AND LYLE'S SUBMITTED BY TRADAX (FOREIGN SUBSIDIARY OF CARGILL), AND WITH PURCHASING NINE ADDITIONAL SHIPLOADS SUGAR AT LATER TIME WHEN IRAN ACTUALLY HAD SURPLUS OF SUGAR. IN SEIRAFI CASE, 100,000 TONS SUGAR WERE CONTRACTED NRZ \$880/TON WHEN PREVAILING RATES AT TIME OF CONTRACT WERE \$635/TON.

3. ALIZADEH AND SEIRAFI ARE FIRST HIGH-RANKING CIVILIAN OFFICIALS TO BE DISMISSED UNDER PRESENT GOI ANTI-CORRUPTION CAMPAIGN. PRESS AND OTHER ACCOUNTS ARE NOT EXPLICIT ON WHETHER THEY PERSONALLY PROFITED FROM SUGAR DEALS.
HELMS

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